

**FINANCIAL STATEMENTS - REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**OKMULGEE SCHOOL DISTRICT NO. I-1,  
OKMULGEE COUNTY, OKLAHOMA**

**JUNE 30, 2013**

**Audited by**

**JACK H. JENKINS  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL CORPORATION  
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-1  
OKMULGEE COUNTY, OKLAHOMA  
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-1  
OKMULGEE COUNTY, OKLAHOMA  
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-1  
OKMULGEE COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013**

**BOARD OF EDUCATION**

President	Mark Tuggle
Vice-President	Mike James
Clerk	Rod Wiemer
Deputy Clerk	Rocky Lee
Member	Robert Phillips

**SUPERINTENDENT OF SCHOOLS**

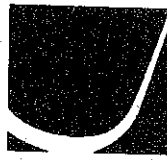
Tod Williams

**MINUTES CLERK**

Phyllis Perkins

**SCHOOL DISTRICT TREASURER**

Charles Prater



**Jack H. Jenkins, CPA** *A Professional Corporation*

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Okmulgee School District No. I-001  
Okmulgee, Oklahoma 74447-1346

I have audited the accompanying regulatory basis financial statements of Okmulgee School District No. I-001, Okmulgee, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2013. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Okmulgee School District No. I-001, Okmulgee, Oklahoma as of June 30, 2013, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Okmulgee School District No. I-001, Okmulgee, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 6, 2013, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Okmulgee School District No. I-001's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins  
Certified Public Accountant, P.C.

December 6, 2013

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -**  
**REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2013**

ASSETS	GENERAL	GOVERNMENTAL FUND TYPES		CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS	
		SPECIAL REVENUE	DEBT SERVICE				2013	(Memorandum Only) 2012
Cash	\$ 1,489,417	1,256,576	888,581	985,736	140,474		4,760,784	4,936,521
Investments	4,062,111						4,062,111	4,048,418
Amounts available in debt service						25,681	25,681	86,248
Amounts to be provided for retirement of general long-term debt								
Total assets	5,551,528	1,256,576	888,581	985,736	140,474	3,479,480	12,328,056	3,428,752
						3,505,161		12,499,939
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities								
Warrants payable	1,350,843	82,311					1,433,154	1,586,484
Encumbrances	1,034,351	61,832		1,701			1,097,884	495,372
Funds held for school organizations					140,474		140,474	156,259
Unmatured obligations			862,900				862,900	662,215
Long-term debt:								
Bonds payable						2,870,000	2,870,000	3,515,000
Capital leases						635,161	635,161	-
Total liabilities	2,385,194	144,143	862,900	1,701	140,474	3,505,161	7,039,573	6,415,330
Fund Equity								
Cash fund balances	3,166,334	1,112,433	25,581	984,035			5,288,483	6,084,609
Total Liabilities and Fund Equity	\$ 5,551,528	1,256,576	888,581	985,736	140,474	3,505,161	12,328,056	12,499,939

The notes to the combined financial statements are an integral part of this statement



**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2013**

	GOVERNMENTAL FUND TYPES			TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	(Memorandum Only) 2013 2012
<b>Revenues</b>					
Local sources	\$ 2,237,989	326,574	839,887		3,404,450 3,151,073
Intermediate sources	155,805				155,805 163,348
State sources	7,391,967	83,703	1,147		7,476,817 7,731,285
Federal sources	1,705,539	742,422			2,447,961 2,645,629
Non-revenue receipts		330			330 20,448
Total revenues	11,491,300	1,153,029	841,034	-	13,485,363 13,711,783
<b>Expenditures</b>					
Instruction	6,504,620				6,504,620 6,486,767
Support services	5,790,120	251,494			6,041,614 6,609,190
Operation of non-instructional services	153,335	897,506			1,050,841 968,183
Facilities, acquisition and const. services	6,350	76,801		10,792	93,943 91,500
Other outlays	2,995	530			3,525 74,965
Debt service			901,601		901,601 679,429
Repayments					- 506
Total expenditures	12,457,420	1,226,331	901,601	10,792	14,596,144 14,910,540
Revenues over (under) expenditures	(966,120)	(73,302)	(60,567)	(10,792)	(1,110,781) (1,198,757)
<b>Other financing sources (uses)</b>					
Lapsed appropriations	100,536	131,273		80,143	311,952 457,753
Bond proceeds					- 2,200,000
Stopped warrants	2,703				2,703 193
Bank fees					- (137)
Total other financing sources (uses)	103,239	131,273	-	80,143	314,655 2,657,809
Revenue and other sources over (under) expenditures and other uses	(862,881)	57,971	(60,567)	69,351	(796,126) 1,459,052
Cash fund balance, beginning of year	4,029,215	1,054,462	86,248	914,684	6,084,609 4,625,557
Cash fund balance, end of year	\$ 3,166,334	1,112,433	25,681	984,035	5,288,483 6,084,609

The notes to the combined financial statements are an integral part of this statement -7-

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**REGULATORY BASIS - BUDGETED GENERAL FUND**  
**JUNE 30, 2013**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 1,852,319	1,852,319	2,237,989
Intermediate sources	149,098	149,098	155,805
State sources	7,382,955	7,382,955	7,391,967
Federal sources	1,160,786	1,160,786	1,705,539
Total revenues	<u>10,545,158</u>	<u>10,545,158</u>	<u>11,491,300</u>
Expenditures			
Instruction	9,242,892	9,242,892	6,504,620
Support services	5,168,801	5,168,801	5,790,120
Operation of non-instructional services	153,335	153,335	153,335
Facilities acquisitions and construction	6,350	6,350	6,350
Other outlays	2,995	2,995	2,995
Total expenditures	<u>14,574,373</u>	<u>14,574,373</u>	<u>12,457,420</u>
Revenues over (under) expenditures	(4,029,215)	(4,029,215)	(966,120)
Other financing sources (uses)			
Lapsed appropriations			100,536
Estopped warrants			2,703
Total other financing sources (uses)			<u>103,239</u>
Revenue and other sources over (under) expenditures and other uses	(4,029,215)	(4,029,215)	(862,881)
Cash fund balance, beginning of year	<u>4,029,215</u>	<u>4,029,215</u>	<u>4,029,215</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>3,166,334</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS**  
**JUNE 30, 2013**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 338,838	338,838	326,574
State sources	94,908	94,908	83,703
Federal sources	689,833	689,833	742,422
Non-revenue receipts			330
Total revenues	<u>1,123,579</u>	<u>1,123,579</u>	<u>1,153,029</u>
Expenditures			
Support services	1,192,592	1,192,592	251,494
Operation of non-instructional services	908,118	908,118	897,506
Facilities acquisitions and construction	76,801	76,801	76,801
Other outlays	530	530	530
Total expenditures	<u>2,178,041</u>	<u>2,178,041</u>	<u>1,226,331</u>
Revenues over (under) expenditures	(1,054,462)	(1,054,462)	(73,302)
Other financing sources (uses)			
Lapsed appropriations			131,273
Total other financing sources (uses)			<u>131,273</u>
Revenue and other sources over (under) expenditures and other uses	(1,054,462)	(1,054,462)	57,971
Cash fund balance, beginning of year	<u>1,054,462</u>	<u>1,054,462</u>	<u>1,054,462</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,112,433</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**REGULATORY BASIS - DEBT SERVICE FUNDS**  
**JUNE 30, 2013**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 814,552	814,552	839,887
State sources			1,147
Total revenues	<u>814,552</u>	<u>814,552</u>	<u>841,034</u>
Expenditures			
Other outlays			
Debt service	<u>900,800</u>	<u>900,800</u>	<u>901,601</u>
Total expenditures	<u>900,800</u>	<u>900,800</u>	<u>901,601</u>
Revenues over (under) expenditures	(86,248)	(86,248)	(60,567)
Cash fund balance, beginning of year	<u>86,248</u>	<u>86,248</u>	<u>86,248</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>25,681</u>

The notes to the combined financial statements are an integral part of this statement

**NOTES TO COMBINED FINANCIAL STATEMENTS -  
REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Okmulgee Public Schools Independent District No. I-1 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

*A. Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies- contd.**

*B. Fund Accounting*

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies- contd.**

*B. Fund Accounting - contd.*

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2012-13 fiscal year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency



**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*B. Fund Accounting - contd.*

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2012-13 fiscal year.

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

**Account Group**

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies- contd.**

**B. Fund Accounting - contd.**

General Fixed Assets Account Group - This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

**Memorandum Only - Total Column**

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*C. Basis of Accounting and Presentation – contd.*

recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

*D. Budgets and Budgetary Accounting*

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

*E. Assets, Liabilities and Fund Equity*

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2013 is not material to the combined financial statements-regulatory basis.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies- contd.**

*E. Assets, Liabilities and Fund Equity – contd.*

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures*

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1. Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures- contd.*

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures - contd.*

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were not inter-fund transfers during 2012-13.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2013, the District held deposits of approximately \$8,822,895 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).



**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**2. Deposits and Investments – cont'd**

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
<b>Investments</b>			
Money Market		\$ 0	0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		<u>4,062,111</u>	<u>4,062,111</u>
<b>Total investments</b>		<u><u>\$ 4,062,111</u></u>	<u><u>4,062,111</u></u>

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs (\$4,062,111).

**3. General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of bonds payable and capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**3. General Long-term Debt – contd.**

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2012	\$ 3,515,000	-	3,515,000
Additions	-	635,161	635,161
Retirements	645,000	-	645,000
Balance, June 30, 2013	<u>\$ 2,870,000</u>	<u>635,161</u>	<u>3,505,161</u>

A brief description of the outstanding long-term debt at June 30, 2013 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2009, original issue \$1,245,000, interest rate of 2.10-3.375%, due in an initial installment of \$224,000 on 7-01-12, annual installments thereafter of \$335,000, final payment due 7-01-14;	\$ 670,000
Building Bonds, Series 2011, original issue \$2,200,000, interest rate of 1-1.75%, due in an initial installment of \$490,000 on 7-01-13, annual installments thereafter of \$570,000, final payment due 7-01-16;	2,200,000
<u>Capital Leases</u>	
Lease purchase for equipment and capital improvements, dated 8-24-10, totaling \$1,000,000, interest rate of 6.88%, due in semi-annual principal and interest installments, beginning 2-24-11, final payment due 8-24-20;	<u>635,161</u>
Totals	<u>\$ 3,505,161</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**3. General Long-term Debt – contd.**

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 825,000	45,940	870,940
2015	905,000	32,432	937,432
2016	570,000	18,525	588,525
2017	570,000	9,975	579,975
Total	<u>\$ 2,870,000</u>	<u>106,872</u>	<u>2,976,872</u>

There was \$55,115 interest paid on general long-term debt incurred during the current year.

The annual debt service requirements for capital lease principal, and interest are as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 83,963	16,894	100,857
2015	86,288	14,569	100,857
2016	88,677	12,180	100,857
2017	91,133	9,724	100,857
2018	93,656	7,201	100,857
Thereafter	191,444	6,549	197,993
Total	<u>\$ 635,161</u>	<u>67,117</u>	<u>702,278</u>

**4. Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**4. Employee Retirement System -- contd.**

supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2013, 2012 and 2011 were \$843,167, \$778,297, and \$733,094 respectively.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**5. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**6. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**7. Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY  
BASIS - COMBINING FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2013**

<u>ASSETS</u>	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2013	2012
Cash	\$ 1,185,308	71,268	1,256,576	1,308,405
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	19,059	63,252	82,311	109,883
Encumbrances	61,832		61,832	144,060
Total liabilities	80,891	63,252	144,143	253,943
Fund Equity				
Cash fund balances	1,104,417	8,016	1,112,433	1,054,462
Total Liabilities and Fund Equity	\$ 1,185,308	71,268	1,256,576	1,308,405

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2013**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2013	2012
Revenues				
Local sources	\$ 297,269	29,305	326,574	389,563
State sources	424	83,279	83,703	96,281
Federal sources		742,422	742,422	726,141
Non-revenue receipts		330	330	9,278
Total revenues	<u>297,693</u>	<u>855,336</u>	<u>1,153,029</u>	<u>1,221,263</u>
Expenditures				
Instruction			-	21,169
Support services	251,494		251,494	384,444
Operation of non-instructional services	4,935	892,571	897,506	934,474
Facilities, acquisition and const. services	76,801		76,801	1,500
Other outlays		530	530	34,117
Repayments			-	135
Total expenditures	<u>333,230</u>	<u>893,101</u>	<u>1,226,331</u>	<u>1,375,839</u>
Revenues over (under) expenditures	(35,537)	(37,765)	(73,302)	(154,576)
Other financing sources (uses)				
Lapsed appropriations	130,243	1,030	131,273	198,403
Estopped warrants			-	7
Total other financing sources (uses)	<u>130,243</u>	<u>1,030</u>	<u>131,273</u>	<u>198,410</u>
Revenue and other sources over (under) expenditures and other uses	94,706	(36,735)	57,971	43,834
Cash fund balance, beginning of year	<u>1,009,711</u>	<u>44,751</u>	<u>1,054,462</u>	<u>1,010,628</u>
Cash fund balance, end of year	<u>\$ 1,104,417</u>	<u>8,016</u>	<u>1,112,433</u>	<u>1,054,462</u>



INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 - REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2013

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 264,617	264,617	297,269	\$ 74,221	74,221	29,305
State sources			424	94,908	94,908	83,279
Federal sources				689,833	689,833	742,422
Non-revenue receipts						330
Total revenues	<u>264,617</u>	<u>264,617</u>	<u>297,693</u>	<u>858,962</u>	<u>858,962</u>	<u>855,336</u>
Expenditures						
Support services	1,192,592	1,192,592	251,494			
Operation of non-instructional services	4,935	4,935	4,935	903,183	903,183	892,571
Facilities, acquisition and const. services	76,801	76,801	76,801			
Other outlays				530	530	530
Total expenditures	<u>1,274,328</u>	<u>1,274,328</u>	<u>333,230</u>	<u>903,713</u>	<u>903,713</u>	<u>893,101</u>
Revenues over (under) expenditures	(1,009,711)	(1,009,711)	(35,537)	(44,751)	(44,751)	(37,765)
Other financing sources (uses)						
Lapsed appropriations			130,243			1,030
Total other financing sources (uses)			<u>130,243</u>			<u>1,030</u>
Revenue and other sources over (under) expenditures and other uses	(1,009,711)	(1,009,711)	94,706	(44,751)	(44,751)	(36,735)
Cash fund balance, beginning of year	<u>1,009,711</u>	<u>1,009,711</u>	<u>1,009,711</u>	<u>44,751</u>	<u>44,751</u>	<u>44,751</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,104,417</u>	<u>\$ -</u>	<u>-</u>	<u>8,016</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES**  
**JUNE 30, 2013**

	<div> <div>AGENCY FUNDS</div> <hr/> <div>ACTIVITY FUNDS</div> <hr/> <div>20132012</div> <hr/> </div>	
<u>ASSETS</u>		
Cash	\$ 140,474	156,259
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 140,474	156,259

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Clearing	\$ 1,582	212		-	1,794
Education Center Activity	7,885	1,111		2,792	6,204
OHS Youth Alive	227	-		227	-
OKM Elementary	12,466	13,923		15,861	10,528
OKM Primary Activity	21,949	10,894		20,776	12,067
OMS Activity	1,746	1,614		3,323	37
OMS Band	120	10,246		9,608	758
OHS NHS	146	420		396	170
TIP-IN-CLUB	1,001	15,477		16,425	53
OHS Athletics	16,178	50,769		53,057	13,890
OHS Change Account	1,507	750		750	1,507
Okmulgee Band Booster	1,437	8,065		8,262	1,240
OHS Golf	87	-		-	87
OHS Tennis	331	1,539		1,283	587
Class of 2014	786	2,259		3,041	4
Class of 2013	1,315	275		985	605
Class of 2012	912	-		39	873
Class of 2015	2,174	-		-	2,174
OHS FFA	1,023	-		88	935
OHS Close Up	13	-		-	13
OHS Planning	708	2,033		1,117	1,624
OHS Letter "O"	486	-		-	486
OHS Student Council	739	415		44	1,110
OHS BPA	257	90		255	92
OHS Science Fair	123	-		-	123
OHS VICA	101	-		-	101
OHS Speech/Drama	2,026	-		-	2,026
OHS French Club	146	-		86	60
OHS Spanish Club	136	-		86	50
OHS Vocal Music	46	-		-	46
OHS Science Club	154	237		40	351
OHS Life Skills	271	451		370	352
OHS Journalism Class	5,499	11,590		9,095	7,994
OHS Newspaper	136	-		-	136
OHS FCCLA	211	508		387	332
OHS Indian Club	100	-		-	100
OHS FCA	258	-		250	8
OHS Advanced Placement	\$ 402	962		98	1,266

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
OHS Harmon Vending Machine	\$ 117	18		-	135
OHS Library	1,088	44		-	1,132
OHS Library	417	3,286		3,246	457
Okmulgee Primary Library	2,574	5,410		5,414	2,570
Elementary Library	1,752	5,198		4,926	2,024
Okmulgee Prim/Elem PTO	4,274	21,052		18,915	6,411
OHS PTO	2,159	1,501		2,565	1,095
OHS Student Council	1,711	-		402	1,309
PEP Club	-	647		525	122
OHS Dugout Club	5,676	4,661		4,932	5,405
OHS Pinning	1,378	4,426		4,655	1,149
Louise Harder Pine Scholarship	21,500	-		2,500	19,000
OHS Academic Bowl	16	491		491	16
Jewell O'Connell Scholarship	8,815	-		1,000	7,815
Okmulgee Elementary Art	104	-		-	104
Okmulgee Elementary Science	71	-		-	71
OHS Cultural Heritage Club	1,276	557		71	1,762
Spirit Club	332	2,646		2,861	117
OHS Outdoor Classroom Project	4,773	3,456		6,310	1,919
Spirit Leader	8,486	42,289		42,404	8,371
County Tournament	-	23,214		23,214	-
Quarterback Club	957	6,582		6,730	809
OHS Center Activity	507	116		621	2
Okmulgee Elementary	1,642	910		1,157	1,395
FFA Booster Club	287	-		-	287
Coca-Cola Scholarship	1,000	-		-	1,000
OPS Center Activity	663	7,642		2,191	6,114
Alumni Room	-	100		-	100
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<b>156,259</b>	<b>268,086</b>	<b>-</b>	<b>283,871</b>	<b>140,474</b>

**LIABILITIES AND FUND EQUITY**

Funds held for school organizations	\$ 156,259	268,086	-	283,871	140,474
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**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
* Title VIII Impact Aid - 2013	84.041	S041B134127	\$ 299,800		299,800	207,770	92,030
* Title VIII Impact Aid - 2012	84.041	S041B124127		37,871		37,871	
* Title VIII Impact Aid - 2011	84.041	S041B114127	20,716		20,716	20,716	
* Title VIII Impact Aid - 2010	84.041	S041B104127	6,837		6,837	6,837	
* Title VIII Impact Aid - 2009	84.041	S041B094127	4,589		4,589	4,589	
* Title VIII Impact Aid - 2008	84.041	S041B084127	10,403		10,403	10,403	
* Title VIII Impact Aid - 2007	84.041	S041B074127	14,050		14,050	14,050	
Title VII-Part A, Indian Education - 2012	84.060	S060A120521	107,562		83,517	107,562	(24,045)
Title VII-Part A, Indian Education - 2011	84.060	S060A110521	4,744		4,744	4,744	
Subtotal			468,701	37,871	444,656	414,542	67,985
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		725,083		434,435	557,363	(122,928)
Title I-Part A, Improving Basic Programs 2011-12 - Note 1	84.010			(107,141)	107,141		
* Title I-School Improvement	84.010		18,719		16,662	17,196	(534)
Title I-School Improvement 2011-12 - Note 1	84.010			(12,753)	12,753		
Title II-Part A, Transferability	84.367		120,000		120,000	120,000	
Title II-Part A, Teacher & Principal Training	84.367		165,318		114,841	153,897	(39,056)
Title II-Part A 2011-12 - Note 1	84.367			(20,638)	20,638		
IDEA-B Discretionary	84.027		5,000			4,993	(4,993)
IDEA-B Discretionary 2011-12 - Note 1	84.027			(4,265)	4,265		
Special Education, Flowthrough, P.L. 105-17	84.027		402,236		336,123	396,832	(60,709)
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		7,653		7,645	7,645	
Subtotal			1,444,009	(144,797)	1,174,503	1,257,926	(228,220)
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048		27,408		27,408	27,408	
Carl Perkins Grant 2011-12 - Note 1	84.048			(5,909)	5,909		
Subtotal			\$ 27,408	(5,909)	33,317	27,408	-

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor's/ Pass-through Grantor's Number	Federal CFDA Number	Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
U.S. Department of Agriculture:						
Passed Through State Department of Education:						
Child Nutrition Cluster:						
Non-Cash Assistance (Commodities):						
	10.555	National School Lunch Program		38,680	38,680	
		Non-Cash Assistance Subtotal		38,680	38,680	
Cash Assistance:						
	10.555	National School Lunch Program		511,179	511,179	
	10.553	School Breakfast Program		231,243	231,243	
		Cash Assistance Subtotal	-	742,422	742,422	-
		Total For Program (Cluster)	-	781,102	781,102	-
Other Federal Assistance:						
	84.334S	Gear Up	\$ 73,083	27,468	67,429	(39,961)
	93.778	Medicaid	25,595	25,595	25,595	
		Subtotal	98,678	53,063	93,024	(39,961)
		Total Federal Assistance	\$ 2,038,796	2,486,641	2,574,002	(200,196)

\* Major federal programs

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$38,680 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT I-1, OKMULGEE COUNTY**  
**SCHEDULE OF SURETY BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Encumbrance Clerk	68794146	\$10,000	6/30/12-6/30/13
	Minutes Clerk	68794146	\$10,000	6/30/12-6/30/13
	Activity Fund	68794146	\$10,000	6/30/12-6/30/13
	Treasurer	71159260	\$100,000	8/24/12-8/24/13
	Superintendent	68794146	\$100,000	6/30/12-6/30/13



**Jack H. Jenkins, CPA** *A Professional Corporation*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education  
Okmulgee School District No. I-001  
Okmulgee, Oklahoma 74447-1346

I have audited the regulatory basis financial statements of Okmulgee School District No. I-001, Okmulgee, Oklahoma, as of and for the year ended June 30, 2013, and have issued my report thereon dated December 6, 2013. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and qualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

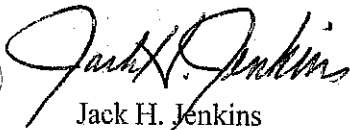


### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two (2) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs. I also reported these matters to the District's management in a separate letter dated December 6, 2013.

The District's response to the findings identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

December 6, 2013



**Jack H. Jenkins, CPA** *A Professional Corporation*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Okmulgee School District No. I-001  
Okmulgee, Oklahoma 74447-1346

**Compliance**

I have audited the compliance of Okmulgee School District No. I-001, Okmulgee, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Okmulgee School District No. I-001, Okmulgee, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of Okmulgee School District No. I-001, Okmulgee, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws,

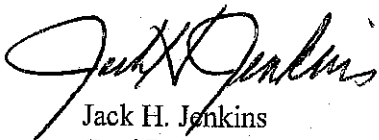
regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be, and should not be, used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

December 6, 2013

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2012 TO JUNE 30, 2013**

**Summary of Auditor's Results**

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit. However, two (2) instances of noncompliance, which were immaterial to the financial statements, were reported on page 41.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
7. The programs tested as major federal programs were: Title I programs and Child Nutrition programs, which were each clustered in the determination and the Title VIII Impact Aid program.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The District did not qualify to be a low-risk auditee.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JULY 1, 2012 TO JUNE 30, 2013**

**Findings – Financial Statement Audit**

**13-01 – Treasurer Reports**

Condition: The District Treasurer did not reconcile the books to the bank statements on a monthly basis or at the fiscal year end.

Criteria: Compare the monthly bank statements with the accounting software to ensure the bank statements are reconciled each month in a timely manner.

Effect: The balance sheet at June 30, 2013 reflected total cash and investments of \$8,400,880, when the actual amount was \$7,819,522, an overstatement of \$581,358. In addition to not reconciling to cash in the prior year, this appeared to be a result of several revenue and expenditure posting issues, including duplicate receipts of over \$150,000, unrecorded revenue of over \$35,000, and unrecorded expenditures of over \$400,000.

Recommendation: I recommend that the District Treasurer reconcile the bank statements to the financial software on a monthly basis and in a timely manner. Further, the finance department needs to undergo additional training to ensure these issues are resolved in the current fiscal year.

**13-02 – Excessive Reserves**

Condition: Amounts were encumbered at the end of both the 2012 and 2013 fiscal years in the General Fund and at the end of the 2012 fiscal year for the Building Fund that appeared to be excessive and were unused as of the final audit work date of November 6, 2013.

Criteria: Reserve encumbrances should be made for expenditures that were obligations at or before the June 30 fiscal year end, but that would require payment during the subsequent fiscal year.

Effect: The beginning fund balance in the 2013 and 2014 fiscal years would be understated by the amount of reserves being held in the prior fiscal years. Expenditures could also be paid for out of the incorrect fiscal year, based on the timing of the obligation.

Recommendation: That reserves only be set up for expenditures that are obligations of the District prior to June 30 of the fiscal year and that those reserves be reviewed for reasonableness to ensure proper carryover of funds for the subsequent fiscal year.

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, OKMULGEE COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2012 TO JUNE 30, 2013**

12-01 – Treasurer Reports

The discrepancy regarding the failure of the Treasurer to reconcile the appropriated funds to the bank statements continued in the current fiscal year.

12-02 – Activity Fund

The discrepancy regarding the failure of the Activity Fund Custodian to reconcile to the bank statement at fiscal year-end was resolved in the current fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2012 TO JUNE 30, 2013

State of Oklahoma     )  
County of Tulsa        )

The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Okmulgee School District for the audit year 2012-13.

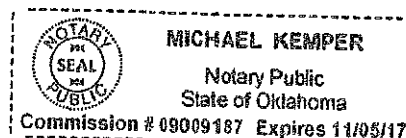
Jack H. Jenkins, CPA, P.C.

AUDITING FIRM

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
6<sup>th</sup> day of, December, 2013

*Michael Kemper*  
NOTARY PUBLIC



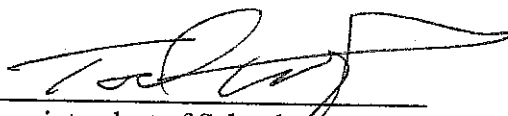
INDEPENDENT SCHOOL DISTRICT NO. I-1, OKMULGEE COUNTY  
AUDIT ACKNOWLEDGEMENT  
JULY 1, 2012 TO JUNE 30, 2013

The annual independent audit for Okmulgee School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

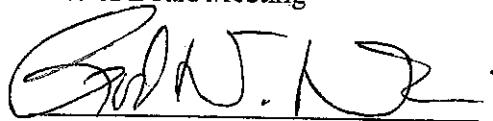
A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

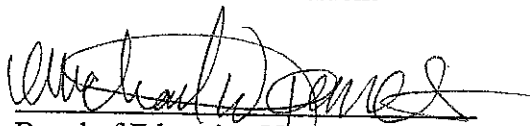
"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

  
Superintendent of Schools

12/9/13  
Date of Board Meeting

\_\_\_\_\_  
Board of Education President

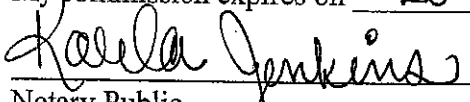
  
Board of Education Clerk

  
Board of Education Vice President

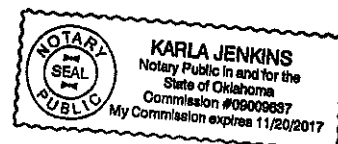
  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

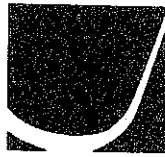
Subscribed and sworn to before me on this 9 day of Dec, 2013.  
My commission expires on 20 day of Nov, 2017.

  
Notary Public

Affix Notary Seal







**Jack H. Jenkins, CPA** *A Professional Corporation*

December 6, 2013

Okmulgee Public Schools  
Attn: Mr. Tod Williams  
PO Box 1346  
Okmulgee, OK 74447-1346

Dear Mr. Williams:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. These comments requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

13-01 – Treasurer Reports

We observed during the audit that the District's treasurer did not reconcile the books to the bank statements on a monthly basis or at the fiscal year's end. On August 29<sup>th</sup>, we printed out a revenue summary report that included duplicate receipts totaling \$157,665.81, and unrecorded revenue of \$35,543.28. Once revenue was confirmed back at our office, we submitted a detailed spreadsheet documenting the differences in order for the corrections to be made. We subsequently found out that those corrections were not made prior to submitting the revenue reports to the State Department of Education, and the State contacted the District in regards to the differences in revenue between the Estimate of Needs and their submitted report.

The payment clearing register was not accurate because some of the expenditures were reported as having cleared during the 12 month fiscal period and did not, while some were still listed as outstanding, although they cleared. A copy of the bank to book reconciliation detailing the differences is attached. In addition to this, the outstanding warrant amounts on the balance sheet did not always agree with the detailed listing of outstanding warrants.

I recommend that the District Treasurer reconcile the bank statements to the financial software on a monthly basis and in a timely manner. Further, the finance department needs to undergo additional training to ensure these issues are resolved in the current fiscal year.

### 13-02 – Excessive Reserves

We observed during the audit that amounts were encumbered at the end of both the 2012 and 2013 fiscal years in the general fund and at the end of the 2012 fiscal year for the building fund that appeared to be excessive and were unused as of the final audit work date of November 6, 2013. Also, it appears some purchase orders were added to the general fund reserves list for 2013 that may not have been ordered by June 30<sup>th</sup>.

The district is allowed some time after fiscal year end to include any purchase orders to the end of the year that accurately reflects those orders that were pending and in need of being added to the reserves list. However, due to the fact that the treasurer records were not accurately balanced and the District was not aware of their ending fund balance, they were at-risk of exceeding their maximum allowed fund balance. Purchase orders totaling \$810,000, were added to the reserves list on September 24, 2013, and were not ordered by fiscal year end.

I recommend that reserves only be set up for expenditures that are obligations of the District prior to June 30<sup>th</sup> of the fiscal year and that those reserves be reviewed for reasonableness to ensure proper carryover of funds for the subsequent fiscal year.

The following section contains an audit exception and recommendation relayed to management that is a certain matter which was not included, but was referred to, in the audit report. This comment also requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

### Federal Program Expenditures

I observed that the District did not code a sufficient amount of expenditures to match the revenue received for the following programs:

	Project	OCAS	SEFA	Ind. Cost	Diff.
Carl Perkins	421	\$ 55,376.82	27,408.00	-	(27,968.82) *1
Title I	511	690,518.86	677,363.36	-	(13,155.50) *1
Title II-A	541	153,773.99	153,896.36	-	122.37 *3
Indian Ed - 2012	561	104,860.46	107,562.00	3,712.70	(1,011.16) *1
Discretionary	613	5,140.10	4,992.83	-	(147.27) *1
Flowthrough	621	396,850.84	396,831.72	-	(19.12) *1
Preschool	641	16,274.57	7,644.64	-	(8,629.93) *1

	Project	OCAS	SEFA	Ind. Cost	Diff.
Medicaid	698	1,137.44	25,594.90	-	24,457.46 *2
Lunches - GF	763	52,355.45	-	-	(52,355.45) *1
Breakfast - GF	764	15,150.90	-	-	(15,150.90) *1
Misc. Federal Program	770	275.00	-	-	(275.00) *1
Ed Stabilization	782	262,873.31	-	-	(262,873.31) *4
Ed Jobs Fund	790	175,616.43	-	-	(175,616.43) *4
Lunches - CNP	763	352,185.29	511,179.27	-	158,993.98 *2
Breakfast - CNP	764	101,784.52	231,242.68	-	129,458.16 *2

\*1-Excess coding, not reimbursed by program.

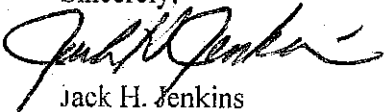
\*2-Expended, but not coded to correct project.

\*3-Reimbursed, but recoded to project 000.

\*4-Coding error, payroll coding rolled over from prior year.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,



Jack H. Jenkins

Certified Public Accountant, P.C.